

**Submission for the Record  
Hearing on China's Exchange Rate Policy  
Congressman Michael H. Michaud**

Thank you for the opportunity to submit written testimony in conjunction with the Ways and Means Committee hearing on China's currency manipulation issue.

I am deeply concerned about the impact of China's undervaluation of the renminbi (RMB) on the economy of Maine and the country as a whole. I submit to your Committee today a case study of two companies from my state that have suffered severe losses from China's undervalued RMB. The examples of Sappi Fine Paper and NewPage Corporation demonstrate the tangible and irrevocable consequences of China's pegged currency on American manufacturers and American workers. Their losses also underscore the imperative need for urgent U.S. action to force China to stop manipulating the RMB. I ask your Committee to consider the impact on these Maine companies as you evaluate how to respond to China's currency undervaluation in Congress and in tandem with the Administration.

NewPage Corporation is the largest coated paper manufacturer in North America and has 10 paper mills in several states, including Maine, and in Nova Scotia, Canada. In the last several years, however, it has had to scale back its production, and – if China continues to undervalue its currency to the degree it does now – the company will likely have to downsize more. In 2008 at its Rumford, Maine facility, NewPage had to shut down a couple of paper machines and lay off workers as a result of foreign imports. The Department of Labor certified in 2009 that these workers were eligible for Trade Adjustment Assistance (TAA) “because the increased imports of coated freesheet and coated mechanical paper by customers of NewPage Corporation contributed importantly to the worker group separations and sales/production declines at NewPage Corporation.” Chinese paper exports to the U.S. are the primary source of new competition that forced NewPage to reduce its paper output in Rumford, and the RMB undervaluation simply makes Chinese paper cheaper than the competing U.S. product.

Sappi Fine Paper has similarly been forced to scale back their coated paper business over the last several years as a result of the unfair competition from Chinese paper imports. The company still has three mills in the U.S., including two in Maine, but last year had to permanently close its paper mill in Muskegon, Michigan. DOL certified the Sappi Fine Paper workers who subsequently lost their jobs as being eligible for TAA. This reduction in production is nothing new for the company. In 2003, Sappi Fine Paper had to shutdown its paper machine in the Westbrook, Maine facility, laying off 170 employees in the process. In small town paper mill communities, the closure of a mill or a plant is often irrevocably devastating. If China continues to be able to export its coated paper at a subsidized price, I am very concerned that the two Sappi Fine Paper mills in Somerset and Westbrook, Maine will also close. This would result in nearly 1,200 workers losing their jobs and the economic devastation of these paper mill communities.

Facing this dramatic downsizing across their industry, on September 23, 2009 U.S. producers of coated paper filed a petition with the Commerce Department to investigate the Chinese government's subsidization of its paper industry. In that petition, U.S. producers alleged that China's intentional undervaluation of its currency provides a subsidy to Chinese exporters of coated paper. Although Commerce initiated an investigation on nearly all of the other subsidy allegations, it declined to initiate an investigation on currency undervaluation. Despite this setback, the U.S. paper producers refiled its allegation on January 13, 2010 that China is subsidizing exporters of coated paper by deliberately maintaining an undervalued currency. This submission provided additional support for the allegation, including an economic study showing that exporters benefit disproportionately from China's undervalued currency. On March 1<sup>st</sup>, the Department of Commerce issued its preliminary determination in the China coated paper countervailing duty investigation. In that decision, Commerce stated that it was still reviewing the currency allegation, but has not yet acted to initiate an investigation. Given the indisputable effects of China's currency manipulation, I am disappointed that the Department of Commerce has not decided to more aggressively address China's RMB undervaluation and hope that additional time to investigate this matter will lead them to agree with the U.S. producers' claims.

Finding in favor of the U.S. paper producers would be consistent with an International Trade Commission report from late last year. In November 2009 the ITC concluded that there is "reasonable indication that an industry in the United States is materially injured by reason of imports of certain coated paper from China." The examples of Sappi Fine Paper and NewPage demonstrate that the consequences of China's currency manipulation are material. The effects are very tangible in U.S. communities whose industries are struggling to stay afloat in the face of Chinese competition, communities such as the towns of Westbrook and Rumford, Maine. These Main Street consequences are the most compelling reason for the Administration, including the Departments of Treasury and Commerce to respond to the RMB undervaluation with all of their resources. Should these agencies not adequately protect American companies from China's unfair currency practices, Congress will have no option but to act itself.

Thank you for allowing me to submit this testimony, and I look forward to working with you to ensure that American workers and businesses are able to compete globally on a level playing field.